



## CCM Advisors Sees Continued Growth In Energy

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CHARLOTTE (Dow Jones)--Count CCM Investment Advisors LLC among the money managers betting energy stocks still have solid growth prospects, despite year-to-date gains. The Columbia, S.C., firm has its model portfolio double-weighted in the energy sector relative to the sector weightings of the Standard & Poor's 500-Stock Index. Among energy holdings in the model are such names as BJ Services Co. (BJS), Newfield Exploration Co. (NFX), Apache Corp. (APA) and Valero Energy Corp. (VLO), which have all had substantial gains this year. For example, BJ Services is up 44% year to date and Valero has soared 137%.

"We still have far to go as far as earnings growth" among energy stocks, said Senior Vice President Robert Key, one of the firm's money managers. "We don't see much prospect for (price-to-earnings) expansion. Where we're looking for the juice in that group is earnings growth."

CCM Investment Advisors manages about \$1.5 billion in separately managed accounts for individuals, businesses and institutions. Its main portfolio model, used as a guide for most accounts, is typically split evenly between bonds and stocks, said Chris Antley, chief equity strategist. But CCM has turned bearish on the prospects of fixed income investments and recently shifted to a weighting of 70% stocks, 30% fixed income. That view, Antley said, is based on the spread on expected returns for stocks and bonds, which is near a historic high. That's usually when CCM has been rewarded with outperformance on the equity side of the portfolio, he said.

"The biggest risks to stocks right now are that profit expectations are still too high," he said. "Many analysts are looking for double-digit earnings growth next year, which will probably be a high bar for stocks to hurdle, if you take a look at slowing productivity growth and rising commodity prices."

The equity portion of CCM's model portfolio is up 4.2% through June 30, the most recent figure avail-

able, compared with a 0.8% decline in the S&P 500. The model portfolio, balanced between equities and fixed income, is up 3.4% during the same period, or 2% net of fees. A comparable index weighted 50% with stocks from the S&P 500 and 50% with the Lehman Government/ Credit Bonds.

CCM uses an investment strategy Antley describes as "bottom up with a clear view of the top." Among trends influencing firm investments these days is the belief that growth stocks are "significantly undervalued relative to value stocks at present," he said. "We believe the mid and small caps have run way too fast and are significantly overvalued," he added.

Health care is one sector CCM managers are considering moving to an overweight position, Antley and Key said. It's an area that offers above-average growth potential and may be a solid defensive position among equities, they said.

CCM is underweight retailers in light of high gasoline prices and the expectation that consumers will pull back on luxury items. "We are exiting our position in Best Buy and concentrating more on staples, such as the home-improvement stocks such as Lowe's and the pharmaceutical staples such as CVS," Antley said. Best Buy Co. (BBY), for example, is a well managed company but could begin to see a drop in customers coming to its stores as services such as iTunes and Netflix eliminate the need for some shoppers to visit a store to buy CDs and DVDs, Antley said.